

Employee Relief Under the FlexElect Reimbursement Accounts Program

Dear Employee,

The California Department of Human Resources (CalHR) has adopted temporary plan changes to the FlexElect Medical and Dependent Care Reimbursement Accounts for both the 2020 and 2021 plan years. These changes are being implemented to provide employees flexibility in alignment with the Consolidated Appropriations Act of 2021 and Internal Revenue Service (IRS) Notice 2021-15. These changes are as follows:

Grace Period Extensions for the 2020 and 2021 Plan Year

The grace period will be extended under the 2020 and 2021 plan years. This extension applies to both Medical Reimbursement Accounts and Dependent Care Reimbursement Accounts. If you participated in the 2020 plan year, you will have until December 31, 2021 to incur eligible expenses and utilize your account balance(s). If you are participating in the 2021 plan year, you will have until December 31, 2022.

Claims Submission Deadline for 2020 and 2021 Plan Year

The claims submission deadline for the 2020 plan year has been extended to June 30, 2022, due to the extension of the grace period. You may submit claims for the 2020 plan year if they were incurred between January 1, 2020 (or the employee's effective date) and December 31, 2021.

Additionally, the claims submission deadline for the 2021 plan year has been extended to June 30, 2023. You may submit claims for the 2021 plan year if they were incurred between January 1, 2021 and December 31, 2022.

The FlexElect Reimbursement Account third-party administrator, ASIFlex, will process claims utilizing any prior year balances first. Please keep this in mind when submitting claims for reimbursement.

One-Time Mid-Year Election Change Opportunity for the 2021 Plan Year

You will be allowed the opportunity to make a one-time, mid-year election change on a *prospective basis without a permitting event*. You may stop, enroll or change your current monthly contribution for the Medical Reimbursement Account, Dependent Care Reimbursement Account or both plans. Retroactive changes and refunds are still not permissible under IRS guidelines. Once this one-time exception has been utilized, you must experience a permitting event in order to make another election change.

Important: You may not be reimbursed more than you have contributed to your Medical Reimbursement Account or Dependent Care Reimbursement Account elections. If you are reimbursed more than your contributions, you will be responsible for paying back any overpayments. Please be aware of any claims you are submitting and your contribution amounts. You will be contacted by CalHR in the case of an overpayment.

Medical Reimbursement Account Eligibility for Mid-Year Cancellations

If you cancelled your Medical Reimbursement Account during the 2020 plan year, you are now eligible to incur expenses through the extended grace period (December 31, 2021).

This provision is also extended into the 2021 plan year. If you cancel your Medical Reimbursement Account election in 2021, you may continue to incur expenses through December 31, 2022.

This provision is not applicable under the Dependent Care Reimbursement Account as you are already eligible to continue to incur expenses through the grace period.

As a reminder, you may not be reimbursed more than you have contributed to your Medical Reimbursement Account or Dependent Care Reimbursement Account and will be responsible for any overpayments.

Carry Forward Rule for Dependent Care Reimbursement Accounts

If you have a child who turned 13 in 2020 and have unused funds at the end of the 2020 plan year, you can continue to be reimbursed for expenses incurred before the later of the date the child turns 14 or the end of the 2021 plan year (December 31, 2021).

Procedure for Election Changes

If you wish to change or cancel your Medical Reimbursement Account and/or Dependent Care Reimbursement Account elections, you must complete a [STD 701R – Reimbursement Account Enrollment Authorization](#) and submit to [\[enter department's personnel office contact information\]](#). Once your request has been approved and processed, you will have exercised your one-time exception. Any future changes will not be permitted for the 2021 plan year unless you experience a qualified permitting event.

Important – Effective Date: The Effective Date of Action follows the rules for a Standard Permitting Event and is based on the received date by the State Controller's Office (SCO). If received by the 10th of the month, the Effective Date of Action will be first of following month. If received after the 10th of the month, the Effective Date of Action will be first of the next following month.

The last effective date to enroll, change or cancel for the 2021 plan year is December 1, 2021. SCO must receive your form no later than November 10, 2021.

Questions

If you have questions, please contact [\[enter department's personnel office contact information\]](#).

Frequently Asked Questions

Q1. I have an outstanding balance under my Medical Reimbursement Account and/or Dependent Care Reimbursement Account for the 2020 plan year. Can I continue to incur expenses to utilize these funds?

A1. Yes. You will remain eligible to incur expenses through the extended grace period of December 31, 2021. You will have until June 30, 2022 to file your claim with ASIFlex for reimbursement.

Q2. I have an outstanding balance under my Medical Reimbursement Account and/or Dependent Care Reimbursement Account for the 2020 plan year. Can I receive a refund?

A2. No. Refunds of outstanding balances are not permissible under IRS guidelines nor was this changed under IRS Notice 2021-15. You may only receive funds from your account(s) as reimbursements for eligible expenses.

Q3. What can I use my balances on?

A3. IRS guidelines do not allow for retroactive adjustments or refunds of remaining balances. The following resource links provide you with additional information regarding eligible expenses which may help you spend down your account(s):

- [ASIFlex Eligible Expenses](#)
- [FSA Store](#)
- [IRS Publication 502 – Medical and Dental Expenses](#)
- [IRS Publication 503 – Child and Dependent Care Expenses](#)

Reminder: Over-the-counter drugs and medicines purchased on or after January 1, 2020 are eligible *without a prescription*. Menstrual care products are also eligible after January 1, 2020.

Q4. Can I retroactively cancel my Medical Reimbursement Account or Dependent Care Reimbursement Account to receive a refund?

A4. No. IRS guidelines do not permit retroactive election changes. Changes may only be made on a prospective basis.

Q5. My spouse has a Health Savings Account (HSA) through his employer. Does enrollment or outstanding balances in the Medical Reimbursement Account impact eligibility?

A5. Possibly. The state's Medical Reimbursement Account is a full-purpose flexible spending account, which may impact your spouse's eligibility to make or receive contributions in their HSA. You may wish to consult with a tax advisor to determine how this impacts eligibility and the best course of action for your needs.

Q6. I have claims that I would like processed under the 2020 plan year instead of the 2021 plan year. Can these be re-processed?

A6. Yes, claims should be processed using any prior year balances first. Due to the timing of this plan change, your claims may have been processed under the 2021 plan year. ASIFlex has proactively completed an audit of these claims and automatically re-processed under the 2020 plan year. If you have claims that may have not been captured during this process, please contact ASIFlex at (800) 659-3035 or asi@asiflex.com to request your claims be re-processed and deducted from your 2020 plan year balance.